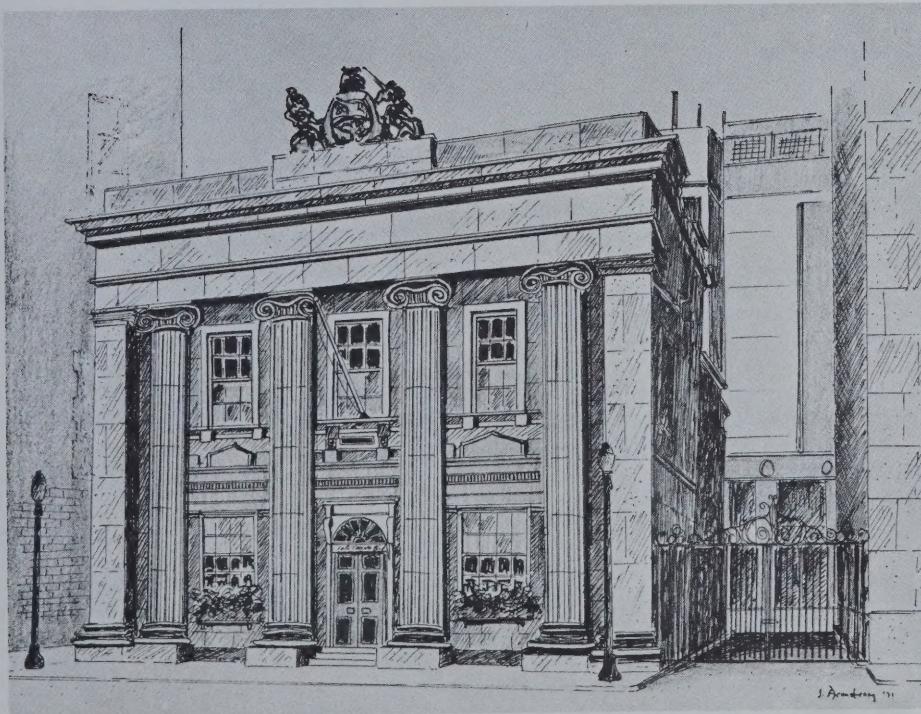


ARGUS CORPORATION LIMITED

33rd Annual Report

NOVEMBER 30, 1978



Nº 10 Toronto Street

This historic building in Toronto, Canada, constructed in 1852, was acquired by Argus Corporation Limited as its head office in 1959. The architects were Messrs. Cumberland and Storm.

Board of Directors

ALEX E. BARRON	Toronto	ALEX D. HAMILTON	Montreal
*CONRAD M. BLACK	Toronto	*H. N. R. JACKMAN	Toronto
*G. MONTEGU BLACK III	Toronto	*A. BRUCE MATTHEWS	Toronto
THOMAS G. BOLTON	Toronto	THOMAS G. McCORMACK	Toronto
H. J. CARMICHAEL	Toronto	H. T. McCURDY	Toronto
*DIXON S. CHANT	Toronto	D. A. MCINTOSH, Q.C.	Toronto
*NELSON M. DAVIS	Toronto	ALLEN A. McMARTIN	Bermuda
FREDRIK S. EATON	Toronto	MAXWELL C. G. MEIGHEN	Toronto
HARRY H. EDMISON	Toronto	A. A. THORNBROUGH	Boca Raton, Florida
*A. L. FAIRLEY, JR.	Birmingham, Alabama	TRUMBULL WARREN	Hamilton
JAMES R. WRIGHT			
Toronto			

*Members of the Executive Committee

Officers

Chairman of the Board	NELSON M. DAVIS
Deputy Chairman	A. BRUCE MATTHEWS
President	CONRAD M. BLACK
Executive Vice-President	DIXON S. CHANT
Vice-President	H. N. R. JACKMAN
Secretary	HARRY H. EDMISON
Treasurer	JAMES R. WRIGHT, C.A.

ARGUS CORPORATION LIMITED

10 TORONTO STREET, TORONTO, CANADA M5C 2B7

Annual Report

TO THE SHAREHOLDERS OF
ARGUS CORPORATION LIMITED

December 27, 1978.

Your directors present the balance sheet as at November 30, 1978, the statement of income and expenses and the statement of changes in the financial position for the year ended on that date. Also shown are comparative figures for the previous year.

The balance sheet shows the Corporation's investments carried at market value and provision has been made for deferred income taxes payable under the hypothetical assumption that the investments were sold at market prices prevailing on November 30, 1978, and on November 30, 1977 for the comparative statement. In our opinion, such a provision is not a definitive figure. Unrealized gain on investments is estimated at \$78,619,346 at November 30, 1978 and \$68,663,674 at November 30, 1977.

As at November 30, 1978, the net asset value of each of the Corporation's Class C shares and common shares was \$21.20, before providing for the deferred income taxes on capital gains referred to above. Such taxes, if applicable, would amount to approximately 72¢ per share. The comparable net asset value of each Class C and common share at November 30, 1977 was \$19.62 and the comparable deferred income taxes on that date were 56¢ per share.

Income from investments during the year amounted to \$10,870,444 compared to \$11,745,158 for the previous year. Expenses were \$457,020 compared to \$370,444. Net income amounted to \$10,155,224 compared to \$11,064,914 for the year ended November 30, 1977 (\$1.02 compared with \$1.13 per Class C and common share). Earned surplus amounted to \$36,746,628 at November 30, 1978 after providing for the transfer of \$29,622,880 to the capital account which was authorized by the Class C Preference and common shareholders at their meetings held on November 16, 1978. Such capitalization of surplus also resulted in the payment of deemed dividends at that time of \$3.50 per Class C Preference and common share.

In addition to the regular dividends on the Corporation's Class A and Class B Preference Shares, dividends totalling 80¢ per share were paid on the Class C and the common shares during the year. Such payments were within the levels permitted under the Canadian Government's Anti-Inflation Act.

Since May 31, 1978, 265,500 Class A shares of Hollinger Mines Limited were purchased and during the month of December an additional 131,000 shares were acquired. This brings the Corporation's holdings of Hollinger Mines Limited Class A shares to 1,535,000 or 31.2% of such shares outstanding. In addition, first refusal or put agreements for a 5-year period have been executed with certain large shareholders of Hollinger Mines Limited in respect to 696,593 shares or 14.2% of that company's outstanding shares.

In November, 1978, 230,500 common shares of Dominion Stores Limited were purchased increasing your Corporation's position in the shares of that company to 2,230,500 shares or 26.1% of such shares outstanding.

Since November 30, 1977, 3,410 Class A Preference Shares \$2.50 Series and 3,607 Class A Preference Shares \$2.60 Series were purchased and cancelled.

In December, 1978, your Corporation sold its holdings in Domtar Inc. amounting to 2,500,000 common shares to MacMillan Bloedel Limited at a price of \$67,500,000 (\$27 per share).

Commencing with the quarterly payment in November, 1978, Domtar Inc. increased the annual dividend rate on its common shares from 80¢ to \$1.00 per share. Dominion Stores Limited recently increased the annual dividend rate on its common shares from 84¢ to \$1.00 per share. In October, 1978, Hollinger Mines Limited paid an extra dividend of \$1.00 per share out of its capital surplus.

Following certain changes in the share ownership of the parent company, The Ravelston Corporation Limited, the following officers were elected by your Board of Directors in July, 1978: Chairman of the Board—Nelson M. Davis, Deputy Chairman of the Board—A. Bruce Matthews, President—Conrad M. Black, Executive Vice-President—Dixon S. Chant and Vice-President—H. N. R. Jackman.

After the November 30 year-end, Messrs. Barron, Hamilton and Meighen resigned as directors of the Corporation.

Shareholders, on request, will receive copies of the annual reports of the companies which comprise the Corporation's major investments.

Submitted on behalf of the Board,
NELSON M. DAVIS,
Chairman of the Board.

CONRAD M. BLACK,
President.

ARGUS CORPORATION LIMITED

*Balance Sheet—NOVEMBER 30, 1978
(with comparative figures at November 30, 1977)*

	ASSETS	1978	1977	
INVESTMENTS:				
Securities at quoted market value (Note 1)	\$207,514,157	\$180,571,941		
Cost—				
November 30, 1978—\$122,740,424				
November 30, 1977—\$107,189,033				
CASH IN BANKS	81,109	79,211		
SHORT-TERM SECURITIES, at cost plus accrued interest.	1,408,405	14,862,874		
CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES.	533,800	522,200		
OTHER ASSETS	335,463	135,252		
HEAD OFFICE PREMISES, (No. 10 Toronto Street):				
Land, building and furnishings, at nominal value	1	1		
	<u>\$209,872,935</u>	<u>\$196,171,479</u>		
LIABILITIES AND SHAREHOLDERS' EQUITY				
DIVIDENDS PAYABLE	\$ 1,692,715	\$ 1,692,715		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	683,684	25,013		
INCOME AND CAPITAL TAXES PAYABLE	2,082	8,529		
DEFERRED INCOME TAXES (Note 1)	6,154,387	4,719,234		
SHAREHOLDERS' EQUITY:				
Capital stock (Note 2)—				
Number of shares				
Authorized	Issued			
260,626		Class A Preference—		
97,128		\$2.50 Series, cumulative	4,856,400	5,026,900
163,498		\$2.60 Series, cumulative	8,174,900	8,355,250
1,000,000		Class B Preference—		
300,000		Cumulative, 1962 Series, \$2.70 dividend	15,000,000	15,000,000
6,770,944	6,770,944	Class C Participating Non-Voting Preference (Note 2(c))	45,343,129	21,644,825
10,000,000	1,692,736	Common (Note 2(c))	11,335,782	5,411,206
			84,710,211	55,438,181
Contributed surplus, realized on purchase for cancellation of preference shares (including \$111,923 arising during the year ended November 30, 1978)	1,263,882	1,151,959		
Earned surplus	36,746,628	64,472,174		
Unrealized gain on investments	78,619,346	68,663,674		
	<u>201,340,067</u>	<u>189,725,988</u>		
	<u>\$209,872,935</u>	<u>\$196,171,479</u>		

APPROVED BY THE BOARD:

NELSON M. DAVIS, Director

CONRAD M. BLACK, Director

ARGUS CORPORATION LIMITED

Statement of Earned Surplus—FOR THE YEAR ENDED NOVEMBER 30, 1978 (with comparative figures for the year ended November 30, 1977)

	1978	1977
Balance at beginning of year	\$ 64,472,174	\$ 61,683,782
Net income for the year	<u>10,155,224</u>	<u>11,064,914</u>
	<u>74,622,398</u>	<u>72,748,696</u>
Earned surplus capitalized (Note 2(c))	<u>29,622,880</u>	—
	<u>45,004,518</u>	<u>72,748,696</u>
Dividends:		
Class A Preference Shares \$2.50 Series	247,025	256,082
Class A Preference Shares \$2.60 Series	429,999	439,574
Class B Preference Shares 1962 Series	810,008	810,008
Class C Participating Preference Shares	5,416,686	5,416,686
Common Shares	<u>1,354,172</u>	<u>1,354,172</u>
	<u>8,257,890</u>	<u>8,276,522</u>
Balance at end of year	<u>\$ 36,746,628</u>	<u>\$ 64,472,174</u>

Statement of Unrealized Gain on Investments—FOR THE YEAR ENDED NOVEMBER 30, 1978 (with comparative figures for the year ended November 30, 1977)

	1978	1977
Balance at beginning of year	\$ 68,663,674	\$ 62,420,203
Increase in unrealized gain on investments	11,390,825	4,224,010
Decrease (increase) in deferred income taxes	<u>(1,435,153)</u>	<u>2,019,461</u>
Balance at end of year	<u>\$ 78,619,346</u>	<u>\$ 68,663,674</u>

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES: November 30, 1978

Investments—

The investments are carried in the balance sheet at quoted market value which is determined by pricing the holdings in each security at the closing quoted market prices as at November 30. Such amounts do not necessarily represent the value of entire blocks which may be more or less than that indicated by market quotations.

Provision has been made for deferred income taxes that would be payable if the investments had been realized on November 30 at the indicated quoted market value on that date.

Dividend income—

Dividend income is recognized in the statement of income and expenses on a cash received basis.

Head office premises—

Head office premises are carried at nominal value and all capital additions are charged to expense as incurred.

2. CAPITAL STOCK:

(a) The Class A and Class B preference shares have a par value of \$50 each and are issuable in series; the Class C preference shares and the common shares are without par value.

The issued Class A and Class B preference shares carry cumulative dividends and are redeemable at the option of the Corporation at \$52.50 per share and accrued dividends.

The Class C preference shares, subject to the prior rights of the Class A and Class B preference shares, participate equally with the common shares in (i) any dividends paid in any fiscal year after \$.30 per share has been paid on each Class C preference share and common share and (ii) any distribution of assets.

(b) During the year ended November 30, 1978, 3,410 Class A preference shares \$2.50 series and 3,607 Class A preference shares \$2.60 series were purchased and cancelled.

(c) At meetings on November 16, 1978 the Class C preference and common shareholders approved that the articles of the Corporation be temporarily amended and that \$29,622,880 of earned surplus be capitalized and transferred to issued capital. This resulted in a temporary change in the capital structure of the Corporation and a deemed dividend of \$3.50 per Class C preference and common share which was added to capital stock in the amount of \$23,698,304 for Class C preference shares and \$5,924,576 for common shares.

3. CONTINGENT LIABILITY:

In connection with arrangements with certain shareholders of Hollinger Mines Limited under which the Corporation has a first refusal to purchase shares of that company, certain of such shareholders may put all or any part of their voting shares of Hollinger Mines Limited to the Corporation for a period expiring in December, 1983. The maximum contingent liability of the Corporation under such arrangements approximates \$23,422,000 as at November 30, 1978. Such liability is subject to escalation under certain circumstances.

ARGUS CORPORATION LIMITED

Statement of Income and Expenses—FOR THE YEAR ENDED NOVEMBER 30, 1978 (with comparative figures for the year ended November 30, 1977)

	1978	1977
Income:		
Dividends received	\$ 9,873,884	\$10,717,676
Interest earned	996,560	1,027,482
	<u>10,870,444</u>	<u>11,745,158</u>
Expenses:		
Salaries of officers and employees	105,625	101,125
Directors' fees	23,337	21,745
Transfer agents' and registrars' fees and expenses	42,852	36,872
General office and administrative expenses	285,206	210,702
	<u>457,020</u>	<u>370,444</u>
Income before income taxes	10,413,424	11,374,714
Income taxes	<u>258,200</u>	<u>309,800</u>
Net income for the year	<u><u>\$10,155,224</u></u>	<u><u>\$11,064,914</u></u>
Earnings per Class C preference and common share	<u><u>\$1.02</u></u>	<u><u>\$1.13</u></u>

Statement of Changes in Financial Position—FOR THE YEAR ENDED NOVEMBER 30, 1978 (with comparative figures for the year ended November 30, 1977)

	1978	1977
Cash in banks and short-term securities at beginning of year	\$14,942,085	\$13,994,308
Source of funds:		
Net income for the year	10,155,224	11,064,914
Increase in accounts payable and accrued liabilities	<u>658,671</u>	<u>—</u>
	<u><u>\$25,755,980</u></u>	<u><u>\$25,059,222</u></u>
Application of funds:		
Purchase of investments	\$15,551,391	\$ —
Dividends paid	8,257,890	8,276,522
Purchase for cancellation of Class A preference shares	238,927	258,158
Decrease in income and capital taxes payable	6,447	1,567,503
Other	<u>211,811</u>	<u>14,954</u>
	<u><u>24,266,466</u></u>	<u><u>10,117,137</u></u>
Cash in banks and short-term securities at end of year	<u><u>1,489,514</u></u>	<u><u>14,942,085</u></u>
	<u><u>\$25,755,980</u></u>	<u><u>\$25,059,222</u></u>

ARGUS CORPORATION LIMITED

Statement of Investments—AS AT NOVEMBER 30, 1978 (with comparative figures as at November 30, 1977)

Company	Class of shares	1978			1977	
		Number of shares	Percentage of outstanding shares	Indicated market value (Note 1)	Number of shares	Indicated market value (Note 1)
Dominion Stores Limited	Common	2,230,500	26.1%	\$37,082,063	2,000,000	\$33,000,000
Domtar Inc.	Common	2,500,000	16.9%	55,625,000	2,500,000	38,750,000
Hollinger Mines Limited	Class A Common	1,404,000	28.5%	51,948,000	1,135,000	33,908,125
Massey-Ferguson Limited....	Common	3,000,000	16.4%	32,625,000	3,000,000	48,375,000
Standard Broadcasting Corporation Limited	Common	2,687,475	47.6%	30,234,094	2,687,475	26,538,816
				\$207,514,157		\$180,571,941

AUDITORS' REPORT

To the Shareholders of

ARGUS CORPORATION LIMITED:

We have examined the balance sheet and the statement of investments of Argus Corporation Limited as at November 30, 1978 and the statements of earned surplus, unrealized gain on investments, income and expenses and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at November 30, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.

Chartered Accountants

Toronto, December 20, 1978

